

**QUARTERLY TASK ORDER
PROGRESS AND
COST REPORT**

**ALBANIA LOCAL
GOVERNMENT PROGRAM**

**OCTOBER TO DECEMBER
2002**

Prepared for



Albania Local Government Program
United States Agency for International Development
Contract No. EEU-I-00-99-00015-00, Task Order No. 810

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Contract and Task Order No.:	EEU-I-00-99-00015-00, Task Order No. 810
Date of Issuance:	September 25, 2000
Amount Obligated Under Task Order:	\$4,223,970
Total Potential Task Order Amount:	\$4,223,970
Dollars Expended To-date:	\$2,618,097
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Task Order Description

In September 2000, United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement a three-year local government project in Albania. This project will assist the Government of Albania in implementation of its decentralization strategy and in building capacity of local government units to fulfill their newly mandated responsibilities. It will also support association development and focus on increasing citizen participation in targeted units of local government. The project builds on UI's two previous projects in Albania that fostered the environment for ongoing reforms.

I. HIGHLIGHTS

- Parliament passed a group of laws providing local governments own source revenues with the right to collect the small business tax
- Follow-on visits to approximately 30 local governments to provide assistance on cleaning fee calculations

II. PROGRESS OF MAJOR ACTIVITIES

DECENTRALIZATION

On December 12, Parliament approved three laws (8982, 8979, and 8978). These provide local governments with their own revenues over which they have more discretion and provide the right to determine the amount of certain fees within limits as prescribed by law. The small business tax is defined as a local government tax with local governments having the right to collect them. In addition the income tax, or simplified income tax, remains as a national tax but the proceeds of collections will be transferred to local governments on a monthly basis. The law on tax/fees reintroduces the tax on agricultural land and will be a main source of potential revenues for the communes. This law also introduces as local revenues the vehicle registration tax and taxes on immovable property transactions. Initial drafts of instructions for these laws began during the quarter and will be completed next quarter.

Assistance to the Ministry of Finance (MoF) and the Ministry of Local Government and Decentralization (MoLGD) on the instructions for the 2003 budget law and on formal delegated functions for the shared functions in health and education was provided. The formal delegated functions fill a legal vacuum and provide an initial step in specifying performance criteria for local governments and the relevant ministries for the implementation of these functions. UI held several meetings with PHRplus, the USAID primary healthcare project, on the decentralization of healthcare and to discuss the formal delegated functions related to healthcare.

In November, a meeting to discuss the status and future of decentralization was conducted by UI/ISB team in Golem. Present was the U.S. Ambassador, who made opening remarks, along with Mission Director Harry Birnholz and Minister Blushi of the MoLGD. Institutions represented at the conference were from the three local government associations, selected Ministries and representatives from selected Parliamentary commissions, thus assuring that both major political parties had representation.

A systematic assessment of the transfer of four authorities (administrative, service, regulatory, and investment) was completed on selected local government functions. The result was a matrix displaying the extent to which these authorities belong to local governments for the sample functions selected. The overall conclusion is that local governments have these authorities for these functions. But the decentralization strategy is far from complete as functions in urban planning and water remains incomplete, as is the case with the transfer of immovable property to local governments. Ministries had a deadline of August 2002 to complete their inventory, and this has not been completed by the end of the year.

During the quarter, it became definite that Minister Blushi would proceed with his initiative to rearrange the boundaries of local governments with assistance from the Council of Europe. In addition, rumors persist that there will be a draft law on region, though this was publicly denied by the MoLGD at a meeting of the Association of Regions. If either of these initiatives succeeds, then it will have a major impact on the decentralization component of the UI program. Both initiatives require a three-fifths vote of Parliament, so it will be difficult—but not impossible—to pass.

UI has taken the position that the reconfiguration of administrative territories and regions is a legitimate issue for Albania and encouraged the MoLGD to do so within a process of participation by all stakeholders to discuss policy questions and review models from other countries that present a range of options. We have also noted that the timing of these initiatives is not the best because of the fall elections.

UI/ISB conducted a briefing for three Parliamentary Commissions on the package of draft laws related to local government revenues. These occurred over two separate days in Tirana. Such meetings are contributing to raising the awareness of the oversight role that Parliament must play in the implementation of decentralization.

With the passage of the laws cited above, UI assisted the MoLGD and MoF in providing initial drafts of instructions in cooperation with these Ministries and especially the General Tax Directorate in the MoF. These were also circulated among the relevant stakeholders and will be completed early next quarter for local governments to use in submitting their final budgets due in February.

Property transfers to local governments continue at a very slow pace for a variety of reasons. Records are not easily accessed in the land registration offices even when records are available, which is not always the case. Local governments themselves are not as proactive as had been anticipated. In fact, most are very reluctant to exert the requisite effort and resources to request property transfer. And the agency established within the MoLGD to facilitate property transfers does not have an operating budget. According to the MoF, one will not be provided in FY 2003 either. On a more positive note, the transfer of water assets is expected to take place early next year.

CAPACITY BUILDING (TRAINING FOR LOCAL GOVERNMENTS)

As a follow-on to the solid waste cost and fees workshops of the preceding quarter, UI staff and local trainers made visits to over 30 municipalities and communes to assist with the completion of cost calculations using the workbook designed by UI. This is a significant achievement in that local governments have never calculated total cost of providing a public service. Depreciation of equipment is a totally new concept. The basic methodology in the UI workbook applied to municipal sanitation services also has application to all other services.

The final draft of citizen involvement/participation handbook was completed during the quarter. As a part of this completion activity UI invited selected technical staff from municipalities and communes and bilateral donor projects to critique the draft. Based on this input, final revisions were made. This is a cross cutting issue and can be used by cities and other projects in a variety of activities. Publication and distribution is planned for next quarter.

At the request of UNDP, UI budget staff conducted basic budget training for finance staff of the six local governments (four communes and two cities) participating in the UNDP regions project. This was in the regions of Fier and Gjirokaster. UI also held two single-day seminars on the fundamentals of decentralization for these same cities plus the region office staff.

A cooperative agreement with Soros Foundation was finalized in which Soros will use UI budget manuals to train finance staff in 100 of the largest communes in Albania. Soros also agreed to use UI trained training consultants who have participated in the basic TOT and assisted with the delivery of budget training in six regions. The first of this series is scheduled for early next quarter.

In addition, UI conducted for the National Democratic Institute (NDI) program a half-day training for their field coordinators on the budget calendar. One aspect of the NDI program is to facilitate grassroots



organization of citizens to be actively engaged in the priorities and decision process of their local governments. By understanding the budget development schedule of local governments and the key points where it is appropriate for citizen input, these citizens are then able to interact more effectively.

III. DELIVERABLES AND REPORTS

None

IV. PROBLEMS OR DELAYS AFFECTING TASK ORDER PERFORMANCE

Minister Blushi at MoLGD is moving forward with a proposal to have different administrative divisions enacted prior to the fall elections for local government officials. This is dominating the agenda of key decentralization staff and thus slowing the implementation of the decentralization strategy. The key staff is focused on this, and it is the priority at the Ministry. If the proposal takes the form of legislation and is approved, then it can impact the current UI program, depending on how the local governments are configured. And if a law on regions is passed, then that too will have an impact. The passage of such laws requires a three-fifths vote in Parliament, and this will not be easy.

V. WORK PLANNED FOR NEXT REPORTING PERIOD

- Publication of new laws and instructions for local government taxes and fees
- Conduct of training related to these laws
- Revisions to the formula for unconditional transfers for the 2003 budget year.
- Completion of final draft of formal delegated functions in selected social sectors for the 2003 budget law.
- Publication of a citizen participation manual.
- Completion of the booklet on low cost handling techniques for treatment of city garbage
- Conduct of two basic budget training workshops.
- Initial preparation of financial training materials for municipal council finance commissions
- Followup roundtables on capital budget inventories

VI. SPECIFIC ACTION REQUESTED

None at this time.

ATTACHMENT

Cost Report